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NPS-CM-03-002



Acquisition RESEARCH Working Paper Series

Transformation in Department of Defense Contract Closeout

June 2003

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Revised: October 2003

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**Transformation in Department of Defense
Contract Closeout**

June 2003

by

LCDR Christopher Parker, USN, MBA

Mr. Michael Busansky, MSCM

Disclaimer: The views represented in this article are those of the authors and do not reflect the official policy position of the Navy, the Department of Defense, or the Federal Government.



Abstract

Two short years ago, mentioning the words “contract closeout” would have drawn a critical eye or a scoffing laugh out of many in the acquisition community, much less trying to convince those same critics that contract closeout was destined to become a priority at the highest levels of the Department of Defense (DOD). Yet, in the past few years we have seen a reversal in the way acquisition professionals view contract closeout as the least important portion of a contract’s life and a wholesale transition to a renewed emphasis on closing contracts in a timely manner. DOD has even gone so far as to create specific metrics to track the progress of the Services in closing contracts, and has focused management attention on the issue.

So what is it that has created this shift in priorities, what are some of the most glaring problems in tackling contract closeout, and what are some ways of correcting those problems? These are some of the questions this short article will pose to the reader, although a detailed rendering of those issues is better within the source material from which this article was taken.¹ Although this article cannot address all of the findings from a larger study conducted at the Naval Postgraduate School and published as an MBA Project Report and an associated Thesis, both published in June 2003, this article points out many of the problems involved in contract closeout and proposes potential solutions to address those problems.

¹ Significant portions of this article are taken directly from MBA Professional Report, “Transformation in DOD Contract Closeout,” June 2003. The report was co-authored by LCDR Chris Parker (USN), LCDR Ricardo Byrdsong (USN), MAJ George Holland (USA), CPT Luis Crespo (USA), and 1stLT Emine Torunoglu (Turkish AF)



Background

The Department of Defense (DOD) has tens of thousands of contracts that are physically completed but not formally closed. Of concern are the millions of dollars obligated on these contracts, making the funds unavailable for use. Delays in the closeout process can result in the loss of current year funds as appropriations obligated on these physically completed contracts close and are no longer available. This is clearly an inefficient use of DOD resources. Within the Navy alone, it is estimated that over \$2B are obligated on over 47,000 physically completed contracts.²

Recognizing that the DOD is losing millions of dollars annually on physically complete contracts not administratively closed,³ and realizing that DOD is inefficiently utilizing scarce resources, Secretary Rumsfeld's Business Initiative Council (BIC) declared transformation of the contract closeout process a top ten BIC initiative. Each of the Service acquisition offices identified a significant backlog of physically complete contracts administered within the Mechanization of Contract Administration Services (MOCAS) system. MOCAS was initially developed in the 1960s as a contract administration tool, although both the Defense Contract Management Agency (DCMA) and the Defense Finance and Accounting Service (DFAS) have modified it significantly and it is now used for both administration and payment functions.⁴ All contracts being administered by DCMA are managed in MOCAS, which is divided into several Contract Administration Report (CAR) sections that indicate the status of contracts.

There is renewed urgency to resolve this enormous backlog of physically completed but not closed contracts due to increased interest in more effective management of DOD's limited resources and moves to ease the transition from MOCAS to its proposed replacement system.⁵ These physically completed contracts appear in MOCAS CAR Section 2 and are defined by the Federal Acquisition Regulation (FAR) as

² Data taken from the February 2002 – February 2003 MOCAS download of Navy contracts. The information is found in the obligated amount column, referring to funding that was obligated on each of the contracts but has not yet been expended. As the funding expires, it will no longer be available for DOD uses of any kind.

³ Nearly \$50,000,000 was identified for replacement funding for the Navy alone in FY2002, per ASN (RD&A) briefing of April 2003.

⁴ GAO Report D-2002-027, 19 December 2001, p. 1.

⁵ GAO Report D-2002-027, 19 December 2001.



being physically completed once the contractor has completed and the Government has inspected and accepted the supplies or services, when all provisions have expired, or if termination action has commenced.⁶ Due to a lack of emphasis or management priority on closing physically completed contracts, the overall DOD backlog of overaged contracts, defined as those contracts that have exceeded the time allotted by the FAR for timely closeout, has reached over 19,000 contracts,⁷ with millions of dollars of unexpended obligated funds tied to them. There are several reasons that contract closeout has become a priority within DOD, although the most pressing appear to be the concern to effectively expend DOD funding prior to appropriations being closed, to eliminate potential liabilities that may be incurred on contracts prior to administrative closeout and fund closure, and to ensure proper disposition of Government property, materials, and funding.⁸

The Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)) has recently applied pressure on Service acquisition officials to reduce the potential pecuniary liability as well as to release funding currently obligated on physically completed contracts. As such, Service acquisition officials are placing emphasis on closing out physically completed contracts, reutilizing deobligated funds when appropriate, and removing potential liabilities that could impact current year funding authority. Since current year funding must be used to pay for previous fiscal year liabilities when the particular appropriation is closed or insufficient,⁹ significant impacts on current procurement programs can occur if contracts are not closed, including injecting uncertainty into DOD acquisition programs in the form of decreased funding lines.

As previously stated, MOCAS CAR Section 2 has approximately 47,700 contracts that originated within the Navy, with over \$2,400,000,000 in unexpended funds tied to those physically completed contracts.¹⁰ The fact that so much money is tied to physically completed contracts gains in importance when considering the large

⁶ FAR 4.804-4.

⁷ MOCAS OPR Matrix, March 2003 Reporting of Closeout “Buckets” of Responsibility.

⁸ Taken from Master’s Theses of Jim Volovcin and J. J. Patton.

⁹ General Accounting Office, “Principles of Federal Appropriations Law, Second Edition” of July 1997.

¹⁰ Taken from the DFAS MOCAS download for February 2003.



sum of that funding that resides on overaged contracts, defined as those contracts that have exceeded Federal Acquisition Regulation (FAR) required timelines for closeout.¹¹

Contract Type		Time Period to Close
Contracts Using Simplified Acquisition Procedures		Evidence of Receipt and Final Payment
All other Firm-Fixed-Price (FFP) Contracts		6 Months
Cost-Reimbursement Contracts		36 Months
All Other Contract Types		20 Months

Source: GAO Report D-2002-027, 19 December 2001 and FAR 4.804

The above table demonstrates the FAR standards for timely contract closeout. Some of the overaged contracts date back to the early-1980s and involve funding that has long-since closed. Reconciliation of such aged contracts may require current year funding to pay for unliquidated obligations and increases the complexity of final determination due to difficulties in assembling an accurate picture of what occurred on a 30-year old contract. Of the over 47,000 Navy contracts listed in MOCAS as physically complete, more than 11,000 or 23.4% of them, are overaged.¹²

Per FAR 4.804-5(a), there are many administrative closeout procedures within the contract closeout process. Many of the 15 major steps to contract closeout as outlined in the FAR, can be considered concurrent vice sequential steps. These steps include: (1) Disposition of classified material is completed; (2) Final patent report is cleared; (3) Final royalty report is cleared; (4) There is no outstanding value engineering change proposal; (5) Plant clearance report is received; (6) Property clearance is received; (7) All interim or disallowed costs are settled; (8) Price revision is completed; (9) Subcontracts are settled by the prime contractor; (10) Prior year indirect cost rates are settled; (11) Termination docket is completed; (12) Contract audit is completed; (13) Contractor's closing statement is completed; (14) Contractor's final invoice has been submitted; and (15) Contract funds review is completed and deobligation of any excess funds is recommended.

¹¹ FAR 42.804.

¹² USD (AT&L) Bucket Plan Matrix of March 2003.



The Issues

Now that we've established the background associated with contract closeout, let's examine some of the specific issues and several recommendations to address those issues. Although this is not all encompassing listing, the following problems bring many of the pressing contract closeout issues to light.

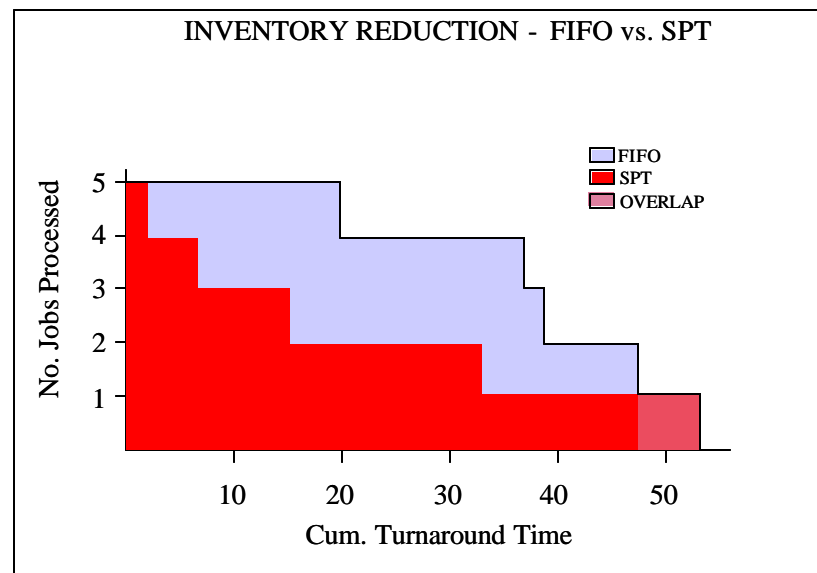
Problem 1. Lack of Focus. The first problem in affecting timely contract closeout, while also reducing the backlog, is the lack of focus on what the goals of contract closeout should be. In fact, many would argue that the only reason to focus resources on contract closeout should be to recoup funding before it lapses for use. There are several other reasons, however, such as a desire to clear potential pecuniary liabilities, clear all Government property and classified materials, and a desire to simply close out contract files. In fact, even at the DOD-level, one could argue that there are conflicting reasons for making contract closeout a priority. Establishment of the "Wynn's List" of contracts, or those contracts that have remained on the DOD's active contracts list for the longest period, stresses closeout of the oldest contracts first. One important step is to assume that the current backlog of physically completed contracts is an inventory and that there will always be a certain number of contracts in that inventory, due to the fact that there are FAR-recommended timeframes for accomplishing closeout actions. The "Wynn's List" approach is comparable to a "First-In-First-Out" (FIFO) inventory management scheme. Is the goal of contract closeout to close the oldest contracts first, or would another metric be more useful? Besides, the primary management tool being used to measure the status of contract closeout, MOCAS reason coding, is only utilized about half of the time for contracts within CAR Section 2, although it increases to 90% for overaged contracts.¹³ This is the measure being used throughout DOD, yet it is not being applied from the point contracts enter CAR Section 2.¹⁴

¹³ As indicated by statistical analysis of MOCAS Reason Code status reports from FEB02 through FEB03. The trend for overaged contracts increased from 73% in FEB02 to 90% in FEB03 due to increased management attention.

¹⁴ Interviews with ACO personnel indicated that the name, "Overage Reason Codes," indicates that they are not required until a contract becomes overaged. Actually, DCMA intended for the codes to be used from the point a contract enters CAR Section 2 and USD (AT&L) is measuring closeout trends based on that assumption.



Recommendations. DOD should make a clear decision on what the priority of contract closeout is in order to focus the efforts of the thousands of people currently involved in closing out overaged contracts. If the focus is indeed on closing the oldest contracts first, then additional pressure must be applied to accomplish such a task. This should include the adoption of a Shortest Processing Time (SPT)/Priority-Based Discipline (PBD) inventory management method. The following chart illustrates that SPT alone should more quickly reduce the backlog of physically completed contracts faster than FIFO.¹⁵



Contract Management Offices (CMOs)¹⁶ should group physically completed contracts into two categories, low-risk and high-risk, and use a hybrid SPT/PBD queuing discipline to reduce the inventory of contracts that must be closed. SPT increases the rate at which the backlog is reduced by eliminating the easiest contracts to close, i.e. the low hanging fruit, while PBD decreases the chance that funds will close due to its emphasis on closing the contracts with significant funding obligated first. A combination of the two methods will achieve both the numeric reduction, sought by USD, as well as the dollar reductions sought by Service acquisition officials. DOD organizations should be held accountable for metrics that reflect the DOD priority in reducing backlogs.

¹⁵ MBA Professional Report, "Transformation of DOD Contract Closeout," June 2003, p 67.

¹⁶In-depth explanation of SPT and PBD can be found in the source MBA Project write-up in Chapter 3.



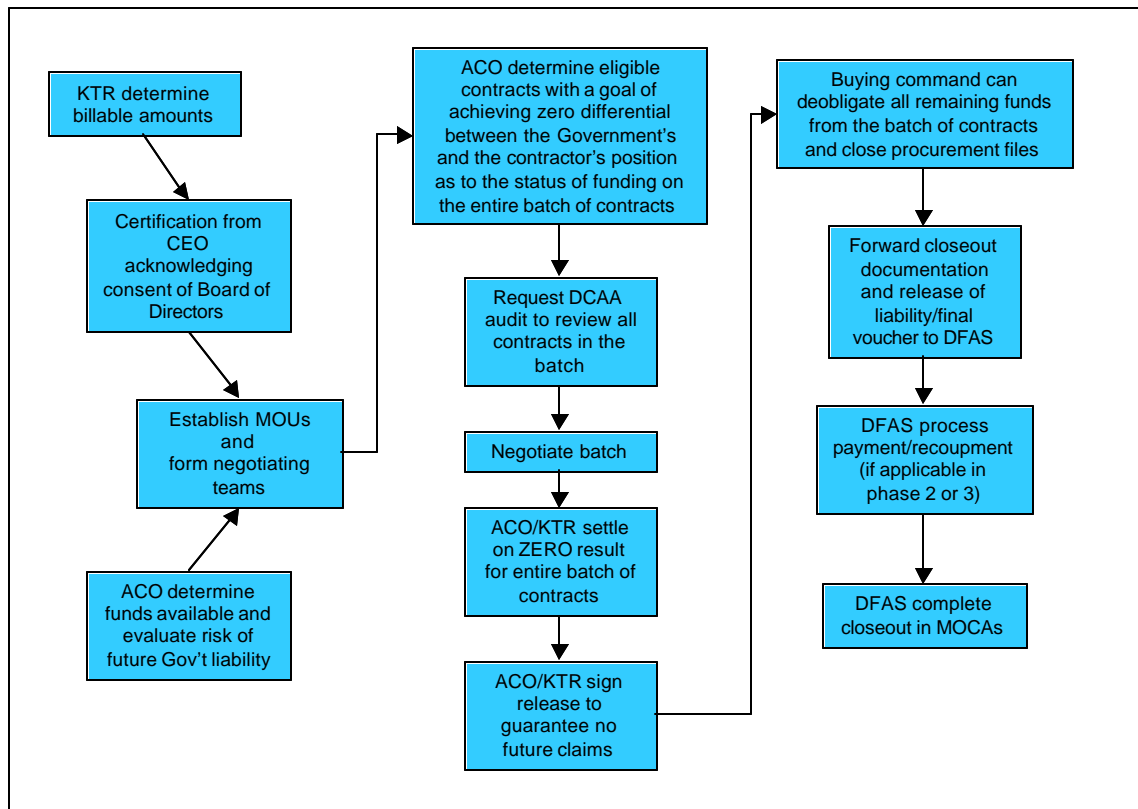
Another method of rapidly reducing the backlog of physically completed contracts is to utilize a batch-processing concept. Under batch processing, homogeneous contracts could be processed for closeout simultaneously, thus eliminating the need for in-depth financial reconciliation. This reconciliation was described by GAO¹⁷ as one of the greatest delays in affecting timely contract closeout and was similarly described in other literature.¹⁸ Ideally, batch processing would occur in several incremental phases, with each gradually becoming more complex to the point that all unresolved issues would be up for consideration during closeout negotiations. In such a way, multiple appropriations over several fiscal years could be reconciled with property issues, intellectual rights, etc in accomplishing a final settlement in the form of a Memorandum of Agreement (MOA). Obviously, such a procedure would call for a change in existing fiscal law or at the very least Congressionally approved exceptional reprogramming and transfer authority for the sole purpose of accomplishing contract closeout. In the near term, however, same fiscal year, same appropriation contracts could be batched under the same contractor and a negotiated settlement with a result of zero dollars is possible since no money would be exchanged. Batch processing offers a negotiated settlement option to close complex contracts that would otherwise require thousands of hours in reconciliation efforts to reach a “to the penny” accounting of all contract transactions. This method, demonstrated in the preceding flowchart, takes into account the costs to the Government and to the contractor in affecting closeout and seeks to minimize those costs to the greatest extent possible. A final recommendation to these issues is for DCMA to require all ACO personnel to use reason codes from the point a contract enters CAR Section 2 and to incorporate the reason for such a requirement at the next available training opportunity.

Finally, all personnel involved in the contract closeout process, to include program management staff, contracting officers and specialists, DCAA, and DCMA personnel should have mandatory elements within their fitness reports or performance appraisals that reflect their success in meeting contract closeout priorities.

¹⁷ GAO Report 02-747, October 2001, “Cancelled DOD Appropriations.”

¹⁸ MBA Professional Report, Naval Postgraduate School, June 2003, “Transformation of DOD Contract Closeout.”





Problem 2. Lack of coordination. The closeout process is sub-optimized at the DOD-level since each organization is focused on maximizing their own management goals and measures. The failure to see the common good in eliminating closeout problems is an issue that DOD faces in nearly every DODIG and GAO report we reviewed. The payment system is set up to achieve fast-pay goals of DFAS, not the goals of the entire organization. Contracts are written by buying commands to make the most of innovative clauses and payment terms in order to achieve the best result for the requesting activity, not to ensure the simplicity in bill paying or ease in reconciliation for DFAS or contract administration for DCMA. Buying command requirements to track specific funding allocations down to minute detail requires additional ACRN requirements that make payment and reconciliation for DFAS far more difficult than it needs to be. The method of affecting periodic audits from DCAA is based on that organization's metric for time per dollar of contract value, thus creating a system where many contracts will become overaged and will delay settlement of final rates for contractors simply due to DCAA's audit procedures. Each organization is set up to



succeed in meeting their own organizational goals, not for ensuring an effective and efficient closeout process that will benefit the tax payers and the DOD as a whole. Poor communications between activities and sub-optimization at nearly every level of the acquisition process has created significant problems in eliminating overaged contracts.

Recommendations. DOD must require pre-award consultations, where the procuring contracting officer (PCO), personnel who will administer the contracts (typically the ACO or COTR), the local comptroller, a DCAA representative, and payment officer personnel should be consulted with each new major acquisition, thus taking the IPT process one step further to eliminate problems that may arise in contract administration and closeout. Such interactions will also likely lead to a better understanding of each organization's processes and lead to enhanced cooperation. DOD should also implement fixed contract closeout teams at DCMA locations (either at individual offices or by region, depending on the workload). Such multi-functional teams should be comprised of the personnel essential for accomplishing closeout, thus personnel from the ACO organization, payment office, and auditing office must be matrixed to the team. The teams can be either permanent or rotational, but awards and evaluations must be focused on maximizing the effectiveness of the team in accomplishing closeouts.

Additionally, DOD should develop specialized training that is specific to the contract closeout process. To ensure that contract closeout receives and maintains the level of priority that it deserves, and that all participants obtain the standard, specialized knowledge required of the contract closeout process, all acquisition related DAWIA courses should include a module that relates contract closeout issues and processes to the curriculum of each offered course. Additionally, DAWIA certification standards should be developed for those functional areas, such as security, that participate in the contract closeout process.

Problem 3. Accounting Classification Reference Number (ACRN) and contract reconciliation is a process that occurs at DFAS with the purpose of reconciling account balances in MOCAS to the balances shown in the accounting records of each contract. Analysis of MOCAS indicates that this is the fifth largest statistical reason¹⁹ for why contracts are not closing in a timely manner and the greatest single reason

¹⁹ Reason Code P, "Reconciliation with the Paying office and contractor being accomplished"



indicated during interviews with ACO personnel.²⁰ One of the greatest causes pointed out during interviews was the current default payment method at DFAS is to pay via a prorated percentage on each ACRN under each contract line item number (CLIN). Thus, if an ACRN makes up 40% of the funding applied to a particular CLIN, billings to that CLIN will be applied at 40% to that particular ACRN, regardless of whether there is a more appropriate ACRN to be applied. This method of payment occurs when there is not more specific payment instructions provided by the contracting organization. In addition to fiscal law issues, such as potentially charging ACRNs that may not be applicable to a particular charge, it would be exceptionally difficult to reconcile balances on each ACRN, especially since the prorated amount would change with each modification to the amount of funding provided under each ACRN.

Recommendations. DFAS must immediately transition from the default method of payment from a prorated method to an “oldest available appropriate ACRN” method. As such, only the ACRN appropriate to the specific charge will be applied. In addition, the payment voucher submitted by the vendor should be modified to reflect charges by ACRN vice by CLIN. As such, only the appropriate ACRN will be charged and each ACRN will be charged until it has been removed or until it is exhausted, eliminating the need for additional reconciliation and allowing paying offices and ACO organizations to know precisely the amounts being charged under each ACRN. Additionally, DFAS should assign a single payment specialist or section to handle all payments relative to a specific contract, especially in the case of complex contracts. This will allow the payment specialist to become more familiar with the contract throughout the life of the contract and provide a single point of contact for administrative personnel seeking to resolve payment issues.

Problem 4. Current funding review processes are inadequate to preclude appropriations from closing prior to the contract closing. Millions of dollars are lost each fiscal year across DOD as funding obligated on contracts closes.²¹ Once that funding closes, it is lost for the purposes of paying DOD obligations and should be viewed as a missed opportunity as well as a new risk since current year funding may be needed to pay for any remaining liabilities. As previously noted, the Navy loses the opportunity to

²⁰ Interviews conducted during MBA Project interviews and thesis questionnaire.

²¹ According to figures provided to the MOCAS Closeout Executive Group in April 2003, the Navy alone is likely to see approximately \$500M in funding close that is currently obligated on contracts. Over \$40M in replacement funding was required in 2002 to pay for obligations incurred on closed appropriations.



utilize approximately \$500M per year as funding on physically completed contracts closes.

Recommendations. Funding reviews occur at each level within the Services, but during the final year that funding is available, i.e. the year it will close, the funding should be recouped at the Service level and utilized solely for the purpose of accomplishing contract closeout. As specified in recommendation 1, exceptional reprogramming and transfer authority to spend that funding on closeout liabilities must be requested from Congress since its use across appropriations is currently prohibited.

Problem 5. MOCAS Reason Code “M”, which include the negotiation of final overhead rates, awaiting the contractor’s final proposal, and audits of indirect costs, is the most prevalent reason code, accounting for nearly half of all reason codes for all overage physically completed contracts.²² There are myriad reasons for why a contract’s overhead rates may not be finalized, but one of the most telling is that of the method of DCAA audits. Although DCAA may audit contractors more frequently, based on the Auditable Dollar Volume (ADV)²³ of the contracts under that contractor, sub-contractor audits may occur at a greater interval and thus delay prime contractors from submitting their final overhead rates. This delay can be as long as two years in some cases, thus guaranteeing that a particular audit will become overaged regardless of the amount of management attention or up-front effort expended by the ACO, buying office, or DFAS. Additionally, the frequency contractors are audited is determined by ADV, regardless of the contractor’s track record or the potential risk to the Government on their contracts. Another issue here is the need for ACOs to make use of quick-closeout procedures whenever they are available. Data indicate that 91% of all contracts under reason code M are below \$1M. Although that does not mean that all of them may fall under quick-closeout criteria,²⁴ it calls into question whether or not such criteria is being used to the full extent permitted in the FAR.

²² As indicated by statistical analysis of MOCAS Reason Code status reports from FEB02 through FEB03, interviews with ACO personnel, and the MAR03 USD Bucket Plan Matrix.

²³ Interview with DCAA Regional Manager, 25APR03

²⁴ Per FAR 42.708, quick-closeout procedures can be used if the contract is physically complete, the total unsettled indirect costs to be allocated under the contract does not exceed \$1M, cumulative unsettled indirect costs to be allocated to one or more contracts in a single fiscal year do not exceed 15% of the estimated total unsettled indirect costs allocable to cost-type contracts for the fiscal year (may be waived based on risk assessment), and if an agreement can be reached on a reasonable estimate of allocable dollars.



Recommendations. Align the audit of subcontractors with the audit of their associated prime contractors, so that the prime and subcontractors' final overhead rates are determined on the same schedule, especially during the last year of a contract. This synchronization will shorten the time needed to determine final rates and allow contracts to close at a faster rate. We recommend that immediate steps be taken to identify contracts that are eligible for quick-closeout procedures, and enforce the FAR requirement that states the contracting officer *shall* negotiate settlement of indirect cost for a specific contract in advance of determining the final rates. We recommend that Blue Ribbon Contractors be identified in the inventory of contractors listed in MOCAS CAR Section 2, and immediate steps be taken to determine the final rates using the procedures outlined for quick-closeout and desk reviews. Blue Ribbon contractors are those previously audited and found to have accurate rate development processes, certified accounting and management systems, a consistent history of billing rates coming close to final rates, and a history of charging only allowable, allocable and reasonable costs. Finally, we recommend that a pilot program be developed to test the concept of using commercial accounting firms to conduct annual audit of incurred costs. Since commercial audit companies already conduct audits to comply with SEC requirements, those same auditors should be able to conduct audits that would fulfill DCAA and DCMA requirements as well.

Problem 6. Problematic contract closeout steps. Although covered in several of the preceding problems noted, this issue is of such importance that it needs to be mentioned. Over the last ten years surveys and studies have documented that the same four steps continuously are identified by personnel involved in the process as most problematic. In this case problematic can mean that these steps take the longest to complete and are the most difficult to complete. These steps in order of descending problematical ness are: (1) contract audit complete, (2) prior year indirect cost rates are settled, (3) contractor's final invoice has been submitted, and (4) contract funds review is completed and deobligation of any excess funds is recommended. There may be initiatives and plans in place to address these problems with future acquisition management systems, however there remains the need to address the current backlogs that exist now.

For instance, the third most problematic step was "contractor's final invoice has been submitted". The table below correlates the top defense contractors in regards to



submitting late final vouchers.²⁵ The first column is the overall contractor ranking based on total dollar value of DOD business. The second column is the overall contractor ranking based on the number of late submissions of final vouchers according to DCAA.

DOD Rank	Late Rank	Company	DOD Dollars
1	3	Lockheed Martin Corp.	\$15,130,223,000
3	8	Northrop Grumman Corp. (PRC)	\$11,122,116,000
4	1	Raytheon Co.	\$5,875,142,000
9	6	SAIC	\$1,774,863,000
10	10	TRW Inc.	\$1,970,383,000
16	9	Honeywell Inc. (Allied Signal)	\$914,654,000
68	7	CACI International Inc.	\$260,912,000

One wonders if the Government has the leverage to incentivize these contractors to submit final vouchers in a timely manner. Based on the total DOD dollars at stake the answer should be "yes". However this must not be the case since this was historically and still is a very problematic closeout step.

Other contract closeout pathologies that were identified include process friction, inadequate information technology, long-life contracts, personnel skill levels, contract financial issues, lack of management concern, poor perceptions of the contract closeout process, timeliness of closeout actions, problematic process steps, pre-existing backlogs, inadequate manpower, and poor record keeping and file documentation.

²⁵ Naval Postgraduate Thesis "Contract Closeout Pathologies and Recovery Strategies", June 2003.



Recommendations. Teaming arrangements should be implemented in addition to specific training that will emphasize the proper procedures and application of the available acquisition reforms and streamlining initiatives to minimize the impact of these problematic steps.

In addition to the preceding recommendations, further studies are required in the following areas prior to embarking on any recommendations:

- Adequacy of the MOCAS replacement IT system to ensure it will align contract award, administration, payment, accounting, and closeout requirements.
- Cost-Benefit study to determine whether there is a threshold for where it is no longer cost-effective to conduct contract closeouts (i.e. for contracts for less than \$100K)
- Cost-Benefit study to determine the feasibility of outsourcing contract closeout functions DOD-wide.
- Establishing a direct-charge for contract closeout for the labor hours expended at DCMA, DCAA, and DFAS.
- Establishment of a facilities-type contract for those contracts involving Government property in order to pull all property issues away from the source contract.



Conclusion

Contract closeout has seen a tremendous shift in emphasis over the previous two years due to an enhanced desire to make more efficient use of DOD's limited financial resources. With the large amount of funding apparently tied in obligations on aging but physically completed contracts, more efficient contract closeout practices have the potential of recovering or at least removing potential Governmental liabilities by hundreds of millions of dollars every year. Contract closeout is quickly emerging as another source of potential savings and enhanced management efforts are having some impact on reducing the backlog, but the effort must be accompanied by changes in the manner in which contract closeout is conducted to have any lasting impact. A focus on reducing the backlog is not sufficient to solve the systemic problems associated with contract closeout. Instead, a combined approach must be taken that is aimed at both reducing the current backlog while also focusing on ways to transform the existing process and finding long-term solutions to the problem.

DOD must re-examine the reasons for contract closeout and focus management attention on the most pressing issues it wishes to address, whether it be the reuse of funds prior to funds closure or simply reducing the number of contracts in CAR Section 2. We believe the primary goal of contract closeout is to maximize efficient use of DOD's funding while reducing potential liabilities. With this in mind, DOD must take the necessary steps to transform the contract closeout process to better align the organizational structures and procedures that impact closeout and to focus management attention where it is needed most. Contract closeout must not be seen as an event in and of itself, but as another logical step in the contract life cycle and an extension of contract administration. Only through better alignment of organizational processes and enhanced communications between the parties involved in contract closeout, can a lasting improvement in the way DOD accomplishes contract closeout occur.



Discussion Points

1. Should contract closeout be a centralized or decentralized function?
2. How might DOD raise the priority of the contract closeout process?
3. What reforms may simplify or streamline the contract closeout process?
4. How can contract closeout concerns be addressed early in the acquisition process?
5. How can the process friction that results from having many stakeholders involved in the process be overcome?



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